

Agency: Commerce, Community and Economic Development**Grants to Municipalities (AS 37.05.315)****Grant Recipient: Tenakee Springs****Federal Tax ID: 92-0048310****Project Title:****Project Type: New Construction and Land Acquisition**

Tenakee Springs - Public Safety, Firehall, and EMS Facility Land Purchase

State Funding Requested: \$285,000**House District: 5 / C**

One-Time Need

Brief Project Description:

Purchase of land to be used for proposed construction of new Department of Safety Building-Firehall and EMS Facility

Funding Plan:

Total Project Cost:	\$285,000
Funding Already Secured:	(\$0)
FY2013 State Funding Request:	(\$285,000)
Project Deficit:	\$0

*Funding Details:**First application. No funding history.***Detailed Project Description and Justification:**

Extensive research by the City of Tenakee Springs Public Safety Ad Hoc Committee has identified the best available land for purchase to construct a proposed Public Safety/Firehall/EMS Facility.

The proposed land is ideally located. It maximizes meeting the safety needs of the community by being of adequate size, by being adjacent to the current failing Public Safety Facility, by being located in the town core, and finally, by being on the waterfront, maximizing access by and to water. This land purchase takes a long term view of the Community's public safety needs as the City moves into the future.

The Tenakee City Council unanimously approved this project at their January 20, 2012 meeting.

Project Timeline:

The land acquisition would be immediate if the project is approved.

Entity Responsible for the Ongoing Operation and Maintenance of this Project:

The City of Tenakee Springs, Alaska

CITY OF TENAKEE SPRINGS

Don Pegues
MAYOR

ADMINISTRATION
(907) 736-2207
(907) 736-2249 fax
citytke@gmail.com

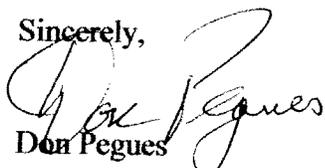
January 31, 2012

Representative Bill Thomas
Alaska State Capital Room #505
Juneau, AK 99801

Dear Representative Thomas,

At our regular City Council meeting held on January 20, 2012, the City Council unanimously approved the submission of the Tenakee Springs Department of Public Safety request for land purchase funding into the CAPSIS system.

Sincerely,



Don Pegues
Mayor

To:

From: : City of Tenakee Springs

Tenakee Volunteer Fire Department Capital Project Grant
Land Acquisition for New Fire Hall

We are requesting funds with which to purchase land upon which to build a new Fire Hall/Public Safety Building.

The current Fire Hall was built on a vacated 30 foot right of way facing the community trail, and has no source of fresh water. The narrow building no longer meets the needs of the community for public safety and land is needed to build a new larger facility. Needs assessments and a series of meetings and workshops by Fire Department personnel have prioritized the need to acquire appropriate land upon which to build a new Fire Hall/Public Safety Building. This committee continues researching not only land acquisition, but the grants available for building this public safety facility, and the most appropriate design for such a facility.

As our community has grown and changed during the past thirty years, the homes and other buildings have also changed. Multi story structures are more common, and the average age of our population has increased. Our fire protection, emergency medical response, and search and rescue need to adapt to these changes. The current building which houses the Department of Public Safety is too small to accommodate necessary equipment while still allowing for quick response to fire, medical, and search and rescue emergencies, and adequate training, and drills for responders. The current structure is not only too small, but well past its useful life, showing significant rot and structural deficiencies in the foundation, walls, and roof.

The land proposed for purchase is adjacent to the current fire hall and about two blocks from the center of town (ferry terminal, fuel dock, store). It contains 6,886 square feet, is approximately 73'x 96' and consists of lots 8 and 9, block 7, The property has a water bearing well and is located in the townsite core, two essential requirements for a property on which to build a new Fire Hall/Public Safety Building. This is a "shovel ready" building site. The asking price is \$285,000. Further information and photos of this site obtained from the current owners are attached to this request. Our research has determined that there is no other land available for purchase or trade in the town core and a central location is imperative for timely response to emergencies. While state land

swaps may be available, they cannot fulfill the critical need for this property to be located in a central location in order to fulfill needs for a quick response to all of the community.

A secure future for Tenakee Springs is dependent on a functional public safety facility that can serve community needs. The current facility is no longer adequate. Therefore, with the support and encouragement of the Mayor and City Council of Tenakee Springs we have opened discussions with the current owners of the lot we want to acquire. We have created a task force of community members to stay current with options available for future building while also seeking funds for land acquisition.

Once we have acquired land, we are ready to begin applying for construction grants. A streamlined drawing of the building we visualize as the new public safety facility on the new lots is attached; the original was drawn up by a local, licensed architect. We remain flexible in terms of building plans, but feel it is wise to have a clear idea of the facility at every stage of planning.

The Tenakee Springs Volunteer Fire Department has, over a twenty year period, through a series of fund raisers, Fireman's Balls, and other invitations to the community to donate accumulated two \$10,000 CDs which we would be willing to use as matching funds toward any aspect of a new Fire Hall/Public Safety Building.

Once land has been acquired, a period of no more than five years is anticipated for the completion of the construction of the new Fire Hall/Public Safety Building. A well built, energy efficient structure should make it possible to keep maintenance costs comparable to those available in the city budget for the existing Fire Hall/Public Safety Building. Our goal to plan our new, larger, building with modern heating, lighting, and insulation so that costs for maintenance and utilities will be less than for the existing structure.

The Tenakee Springs Volunteer Fire Department looks forward to being able to better serve our community of Tenakee Springs with your assistance in the purchase of land.



For Sale:

Beautiful view waterfront, Lots 8 & 9 Block 7, approx. 73' x 96,' centrally located in town easy walking distance from the ferry and hot springs for \$285,000.

The History:

Originally known as the cold storage property, the property was purchased in 2006 for \$245,000. The price included the removal of all existing structures, pilings, and personal property. The property includes a professionally developed well. Denali Drilling developed the well in 2008 for \$8,500. Tidal rights were purchased, Lot 3 of subdivision Tract C, and attached to the original plat in 2009 for \$5,250. The lots are cleared and site ready for building. Total square footage of the lots is: approx. 6,886 sq. ft.

Contact:

Jon or Gladi (H) 907-586-6168 (M) 907-723-9097
or jpgk@afi.net



RECEIVED

JAN 29 2012

CITY OF TENAKEE SPRINGS

To: City of Tenakee
From: Jon Pond & Gladi Kulp
Date: January 26, 2012
Re: **Criteria used in determining the Sales Price of the Cold Storage Property**

Why We Paid \$245,000:

In my notes from talking with Scott Lafavour via phone, Mike Race, broker for Coldwell Banker, used both residential appraisals (Canary & Associates) and his opinion in establishing the value and pricing all the Tenakee Lacano properties. The market did bear out Mr. Race's pricings as all of the Lacano properties were sold. Lacano Investments, LLC no longer owns any property in Tenakee.

Coldwell Banker listed our property, known as the Cold Storage Property, for \$265,000. We bought it for \$245,000 cash in 2006 with the contingency that the sellers, dba Lacano Investments, agree to remove all existing structures, pilings, personal property, and hazardous debris. *(See Exhibits A-C, three photos showing the main structure and what was underneath and inside the cold storage building.)* The main structure, deck, and pilings were pulled down and burned on site. Freezers, refrigerators, engines, metals, and hazardous waste were barged out of town. A technician was flown in to ensure sealing of the coolant was done properly and tagged in accordance with the law. We determined the price of \$245,000 was fair market value, based on recent sales in Tenakee and the improvements made to the land by the sellers.

Improvements and Expenditures Since 2006:

The removal of all existing structures and hazardous waste in 2006 was assessed by Doug Trucano, dba Lacano Investments, at \$45,000.

Denali Drilling developed the well in 2008 for approximately \$10,000.

Tidal rights were purchased from Lacano Investments, Lot 3 of Subdivision Tract C, and attached to the original plat in 2009 for \$5,250.

Total investment (hard cash) of improvements on the Cold Storage property since we purchased it in 2006 is approximately \$60,000.

Status of the Cold Storage Property Today:

The lots in total represent 6,886 square feet. The land is cleared and "shovel ready" for construction.

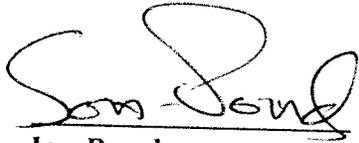
There is a professionally-drilled well at 77 feet.

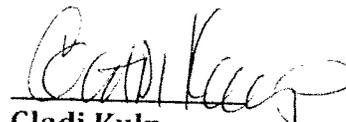
The tidal rights have been purchased and attached to lots 8 & 9 of Block 7.

The property offers beautiful views of the mountains and inlet and is the largest vacant lot waterfront available in the center of downtown Tenakee.

Establishment of Today's Selling Price:

We have invested approximately \$260,000 in hard money for the land (\$245,000) and improvements (\$15,000) since taking ownership. Today's selling price is \$285,000. The additional \$25,000 represents profit under 10% (cumulative) of our investment (\$260,000) for over 6 years of stewardship.


Jon Pond


Gladi Kulp

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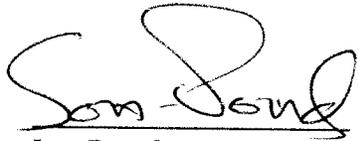
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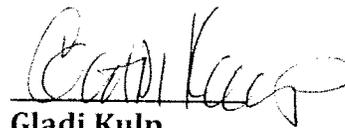
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Jon Pond


Gladi Kulp

**APPRAISAL REPORT
OF**



Lots 8 & 9, Block 7 & Tidelands
Tenakee Springs, AK

PREPARED FOR

Department of Public Safety
PO Box 24
Tenakee Springs, AK 99841

AS OF

03/08/2012

PREPARED BY

CANARY & ASSOCIATES, INC.
P.O. Box 32361
Juneau, AK 99803

INVOICE

Date: 3/16/2012

File No. 14-12-001
Case No.

Prepared for:

Department of Public Safety
PO Box 24
Tenakee Springs, AK 99841

Property Appraised:

Gordon Chew
Lots 8 & 9, Block 7 & Tidelands
Tenakee Springs, AK

Work Performed:

Remote Vacant Land Appraisal	\$	750.00
Travel	\$	300.00
Paid by check #1018	\$	-1,050.00
	\$	
	\$	
Total Amount Due:	\$	0.00

Please make checks payable to:

CANARY & ASSOCIATES, INC.
P.O. Box 32361
Juneau, AK 99803
Phone: 907-789-0871
Fax: 907-789-0872
Email: appraisal@alaskaappraisal.com

Summary Report

LAND APPRAISAL REPORT

Borrower Gordon Chew Census Tract 99999.99 Map Reference USS 2095
 Property Address Lots 8 & 9, Block 7 & Tidelands
 City Tenakee Springs County Sitka Recorders Office State AK Zip Code 99841
 Legal Description Lots 8 & 9, Block 7, USS 1418 & Tidelands Lot 3 Plat: 2009-3
 Sale Price \$ N/A Date of Sale N/A Loan Term N/A yrs. Property Rights Appraised Fee Leasehold De Minimis PUD
 Actual Real Estate Taxes \$ N/A (yr) Loan Charges to be paid by seller \$ N/A Other Sales Concessions None known
 Lender/Client Department of Public Safety Address PO Box 24, Tenakee Springs, AK 99841
 Occupant Vacant property Appraiser Shawn Kantola Instructions to Appraiser Appraise Lots at Current Market Value

NEIGHBORHOOD

Location	<input type="checkbox"/> Urban	<input type="checkbox"/> Suburban	<input checked="" type="checkbox"/> Rural	Good Avg.	Fair	Poor
Built Up	<input checked="" type="checkbox"/> Over 75%	<input type="checkbox"/> 25% to 75%	<input type="checkbox"/> Under 25%	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Growth Rate	<input type="checkbox"/> Fully Dev.	<input type="checkbox"/> Rapid	<input checked="" type="checkbox"/> Steady	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Property Values	<input type="checkbox"/> Increasing	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Declining	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Demand/Supply	<input type="checkbox"/> Shortage	<input checked="" type="checkbox"/> In Balance	<input type="checkbox"/> Oversupply	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Marketing Time	<input type="checkbox"/> Under 3 Mos.	<input type="checkbox"/> 3-6 Mos.	<input checked="" type="checkbox"/> Over 6 Mos.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Present Land Use	<u>50</u> % Family	<u>1</u> % 2-4 Family	<u>0</u> % Apts	<u>0</u> % Condo	<u>5</u> % Commercial	
	<u>2</u> % Industrial	<u>40</u> % Vacant	<u>2</u> % Parks / Cemeteries			
Change In Present Land Use	<input checked="" type="checkbox"/> Not Likely	<input type="checkbox"/> Likely(*)	<input type="checkbox"/> Taking Place (*)			
	(*) From _____ To _____					
Predominate Occupancy	<input checked="" type="checkbox"/> Owner	<input type="checkbox"/> Tenant	<u> </u> % Vacant			
Single Family Price Range	\$ <u>100</u> to \$ <u>750</u>	Predominant Value \$ <u>250</u>				
Single Family Age	<u>80</u> yrs to <u>2</u> yrs.	Predominant Age <u>20</u> yrs				

Comments including those factors, favorable or unfavorable, affecting marketability (e.g. public parks, schools, view, noise): The property has a small rock and gradual sloping beach. Access is via the main road in Tenakee. The store in Tenakee is located near the subject property as is the school which has K to 12. The area is known for its wildlife, fishing, hot springs, hunting and remote lifestyle. There are approximately 100 houses in Tenakee Springs with some new construction on the few remaining vacant parcels. There is currently a lot of building going on in this small town with some existing homes are being upgraded also.

SITE

Dimensions See Attached Plat = 3403 SqFt Corner Lot
 Zoning Classification No zoning for area. - Most lots in area are residential Present Improvements do do not conform to zoning regulations
 Highest and best use Present use Other (specify) As improved, as either residential or commercial use.

Public	OFF SITE IMPROVEMENTS	Topo	<u>Gentle rise from the beach.</u>
Elec. <input checked="" type="checkbox"/>	Street Access <input checked="" type="checkbox"/> Public <input type="checkbox"/> Private	Size	<u>Large Than Typical for neighborhood (Two Lots & Tidelands)</u>
Gas <input type="checkbox"/>	Surface <u>Dirt Road</u>	Shape	<u>Mostly Rectangular</u>
Water <input checked="" type="checkbox"/>	Maintenance <input checked="" type="checkbox"/> Public <input type="checkbox"/> Private	View	<u>Good Ocean</u>
San. Sewer <input type="checkbox"/>	<input type="checkbox"/> Storm Sewer <input type="checkbox"/> Curb/Gutter	Drainage	<u>Appears Adequate</u>
<input type="checkbox"/> Underground Elect. & Tel.	<input type="checkbox"/> Sidewalk <input type="checkbox"/> Street Lights		

Comments (favorable or unfavorable including any apparent adverse easements, encroachments or other adverse conditions): No FEMA maps have been issued for the area but the lot is a waterfront property and a portion of the lot is within the tideland flood plain.

The undersigned has recited three recent sales of properties most similar and proximate to subject and has considered these in the market analysis. The description includes a dollar adjustment reflecting market reaction to those items of significant variation between the subject and comparable properties. If a significant item in the comparable property is superior to or more favorable than the subject property, a minus (-) adjustment is made thus reducing the indicated value of subject; if a significant item in the comparable is inferior to or less favorable than the subject property, a plus (+) adjustment is made thus increasing the indicated value of the subject.

	SUBJECT PROPERTY	COMPARABLE NO.1	COMPARABLE NO.2	COMPARABLE NO.3
Address	<u>Lots 8 & 9, Block 7 & Tidelands Tenakee Springs, AK</u>	<u>Prt of Lot 1, Bk 2, USS 1418 & ATS Tenakee Springs, Ak.</u>	<u>Lots 8 & 9, Block 7, USS 1418 Tenakee Springs, AK</u>	<u>705 E. Tenakee Ave Tenakee Springs, AK</u>
Proximity to Subject		<u>0.15 miles W</u>	<u>0.01 miles W</u>	<u>0.35 miles E</u>
Sales Price	<u>\$ N/A</u>	<u>\$ 230,000</u>	<u>\$ 245,000</u>	<u>\$ 150,000</u>
Price /				
Data Source	<u>Inspection</u>	<u>Recorder, Realtor</u>	<u>Recorder, Buyer</u>	<u>Recorder, Inspection</u>
Date of Sale and Time Adjustment	<u>DESCRIPTION N/A</u>	<u>DESCRIPTION 1/27/2011</u>	<u>DESCRIPTION 6/29/2006</u>	<u>DESCRIPTION 12/19/2011</u>
Location	<u>Urban/Wft (+)</u>	<u>Urban/WFT +30,000</u>	<u>Urban/Wft (+)</u>	<u>Urban/Upland +115,000</u>
Site/View	<u>3403 SqFt</u>	<u>Gentle Slope/Good Ocean</u>	<u>Gentle Slope/Good Ocean</u>	<u>Gentle Slope/Filtered Ocean +10,000</u>
Site area	<u>3403 SqFt (Two Lots)</u>	<u>3,200 SqFt +50,000</u>	<u>3,403 SqFt (Two Lots)</u>	<u>7,500 SqFt +40,000</u>
Beach	<u>Small Rock Beach</u>	<u>Similar</u>	<u>Similar</u>	<u>Upland-See Location</u>
Tidelands (ATS)	<u>Yes, 3,622 SF</u>	<u>Yes, 8,015 SF -12,000</u>	<u>None +10,000</u>	<u>None +10,000</u>
Other	<u>Harbor, Public Utility, Well</u>	<u>Harbor, Public Utility, Boat House -50,000</u>	<u>Harbor, Public Utility +10,000</u>	<u>Harbor, Public Utility, House -60,000</u>
Sales or Financing Concessions	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>	<u>AHFC</u>
Net Adj. (Total)	<u>None Known</u>	<u>None Known</u>	<u>None Known</u>	<u>None Known</u>
Indicated Value of Subject		<u>Net=8% Gross=62% \$ 248,000</u>	<u>Net=8% Gross=8% \$ 265,000</u>	<u>Net=77% Gross=157% \$ 265,000</u>

Comments on Market Data See Comment Addendum for further comments.

Comments and Conditions of Appraisal: This appraisal assumes that there are no adverse easement and/or encroachments that would adversely effect the property value. And that no neighborhood local covenants would adversely affect the property value.

Final Reconciliation: The sales comparison approach is the most reliable value indicator for vacant land as it best simulates the reactions of buyers and sellers. The income approach is typically not used for residential lots as they are typically not rented. The cost approach does not apply for vacant land.

I ESTIMATE THE MARKET VALUE, AS DEFINED, OF SUBJECT PROPERTY AS OF 03/08/2012 to be \$ 265,000
 Appraiser(s) Shawn Kantola Did Did Not Physically Review Appraiser (if applicable)
 Date Report Signed 3/16/2012 Inspect Property _____
 State Certification # 702 State AK Date Report Signed _____
 Or State License # _____ State _____ State Certification # _____
 Expiration Date of License or Certification 06/30/2013 Expiration Date of License or Certification _____

CANARY & ASSOCIATES, INC.
EXTRA COMPARABLES 4-5-6

File No. 14-12-001
Case No.

Borrower Gordon Chew
Property Address Lots 8 & 9, Block 7 & Tidelands
City Tenakee Springs County Sitka Recorders Office State AK Zip Code
Lender/Client Department of Public Safety Address PO Box 24, Tenakee Springs, AK 99841

The undersigned has recited three recent sales of properties most similar and proximate to subject and has considered these in the market analysis. The description includes a dollar adjustment reflecting market reaction to those items of significant variation between the subject and comparable properties. If a significant item in the comparable property is superior to or more favorable than the subject property, a minus (-) adjustment is made thus reducing the indicated value of subject; if a significant item in the comparable is inferior to or less favorable than the subject property, a plus (+) adjustment is made thus increasing the indicated value of the subject.

MARKET DATA ANALYSIS

	SUBJECT PROPERTY	COMPARABLE NO. 4	COMPARABLE NO. 5	COMPARABLE NO. 6
Address	Lots 8 & 9, Block 7 & Tidelands Tenakee Springs, AK	Lot 4, Block 2, USS 1418 Tenakee Springs, Ak.		
Proximity to Subject		0.21 miles W		
Sales Price	\$ N/A	\$ 150,000	\$	\$
Price	\$	\$	\$	\$
Data Source	Inspection	Recorder, Seller		
Date of Sale and Time Adjustment	DESCRIPTION N/A	DESCRIPTION 9/25/2006	DESCRIPTION Adjustment	DESCRIPTION Adjustment
Location	Urban/Wft (+)	Urban/WFT	+30,000	
Site/View	3403 SqFt	Gentle / Good Ocean		
Site area	3403 SqFt (Two Lots)	3,750 sq. ft.	+50,000	
Beach	Small Rock Beach	Similar		
Tidelands (ATS)	Yes, 3,622 SF	None	+10,000	
Other	Harbor, Public Utility, Well	Harbor, Public Utility	+10,000	
Sales or Financing Concessions		Unknown		
Net Adj. (Total)		<input checked="" type="checkbox"/> Plus <input type="checkbox"/> Minus \$ 100,000	<input checked="" type="checkbox"/> Plus <input type="checkbox"/> Minus \$ 0	<input checked="" type="checkbox"/> Plus <input type="checkbox"/> Minus \$ 0
Indicated Value of Subject		Net=67% Gross=67% \$ 250,000	Net=0% Gross=0% \$ 0	Net=0% Gross=0% \$ 0
Comments on Market Data	See Comment Addendum for further comments.			

COMMENTS

Very few recent sales were found in the Tenakee area. A search was made to find reasonable comparables in Hoonah, Excursion Inlet, Pelican, and Elfin Cove. Out of all of the comparables found the four utilized within this report are believed to be the best comparables located for the subject property. Some of them are very old and no time adjustments were utilized as so little sales activity has occurred in the Tenakee area that no time adjustment can be derived.

CANARY & ASSOCIATES, INC.
COMMENT ADDENDUM

File No. 14-12-001
Case No.

Borrower Gordon Chew

Property Address Lots 8 & 9, Block 7 & Tideland

City Tenakee Springs County Sitka Recorders Office State AK Zip Code

Lender/Client Department of Public Safety Address PO Box 24, Tenakee Springs, AK 99841

TAXES

There are no real estate taxes in Tenakee Spring, Alaska.

SCOPE OF WORK

The scope of work is to form an opinion of the fair market value of the fee simple interest in Lots 8 & 9, Block 7, USS 1418 & Tideland Lot 3, Plat 2009-3, Tenakee Springs, for a possible purchase. The intended user of this appraisal report is the lender/client. No additional intended users are identified by the appraiser. (See URAR page 17 of 20 of limiting conditions regarding definition of Market Value.) (See page 1 of limiting conditions regarding definition of Market Value.)

The following steps were made in arriving at the final estimate of value included in the appraisal report of the subject property.

- 1) A preliminary search of all available resources was made to determine market trends, influences and other significant factors pertinent to the subject property. The property has been identified previously in this report.
- 2) A complete inspection of the property was performed when possible. Although due diligence was exercised while at the property, the appraisers are not experts in such matters as soils, structural engineering, hazardous waste, etc. and no warranty is given as to these elements. See CONDITION below for further comments.
- 3) Research and collection of data (cost, improved sales, escrow sales, listings and income) were performed as present in the subject's market area and sufficient in quantity to express an opinion of value as defined herein. We examined data from the State Recorders Office, our sales database, local realtors and the city records. Pertinent data are contained in this report.
- 4) The direct sales comparison was considered as appropriate for this appraisal assignment. The results of these approaches to value are discussed at the conclusion of this report.

Special Note: Canary & Associates has not completed an appraisal on the subject property within the last three years.

EXPOSURE TIME: Exposure time is a estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. The estimated exposure time for the subject property is over six months.

LOCATION:

Tenakee Springs is located on the east side of Chichagof Island, on the north shore of Tenakee Inlet. It lies 45 miles southwest of Juneau, and 50 miles northeast of Sitka. It lies at approximately 57.780830° North Latitude and -135.21889° West Longitude. (Sec. 21, T047S, R063E, Copper River Meridian.) Tenakee Springs is located in the Sitka Recording District. The area encompasses 13.8 sq. miles of land and 5.3 sq. miles of water. Tenakee Springs has a maritime climate with cool summers and mild winters. Summer temperatures range from 45 to 65, winters 24 to 39. The highest recorded temperature is 84, and the lowest recorded temperature is 3. Total precipitation averages 69 inches a year, with 62 inches of snow.

HISTORY:

The word Tenakee is from the Tlingit word "tinaghu," meaning "Coppery Shield Bay." This refers to three copper shields, highly prized by the Tlingits, that were lost in a storm. Early prospectors and fishermen came to the site to wait out the winters and enjoy the natural hot springs in Tenakee. Around 1895, a large tub and building were constructed to provide a warm bathing place for the increasing number of visitors. In 1899, Ed Snyder established Snyder's Mercantile, which still operates today. A post office opened in 1903. Originally called Tenakee, the name was altered to Tenakee Springs in 1928. Improvements to the hot springs facilities were made in 1915 and 1929; the existing bathhouse was constructed in 1940. Three canneries operated in the area between 1916 and 1974. A logging camp operated for a time at Corner Bay. The City incorporated in 1971.

CULTURE:

It is predominantly a retirement community and summer retreat for Juneau and Sitka residents. Many residents practice a subsistence lifestyle and actively exchange resources with their neighbors. The 108-degree sulfur hot springs is the social focus of the community. Bathing times are posted for men and women.

ECONOMY:

Tenakee Springs has long been considered a retirement community, though commercial fishing is an important source of income. Tourism is becoming increasingly important. The City and store are the only local employers.

FACILITIES:

There is no community water, sewer or refuse service. Residents haul water from local streams or use individual wells. Privies are used for waste disposal. Most homes are not fully plumbed. Snyder's Mercantile Store owns and operates a diesel generator, and the City owns the electrical distribution system. There is local interest in developing hydroelectric at Indian River.

TRANSPORTATION:

Tenakee Springs is dependent on seaplanes and the Alaska Marine Highway for transport. The City owns a seaplane base and heliport, and scheduled or chartered float planes are available from Juneau. The State Ferry provides passenger transportation only, since there are no vehicle landing facilities or local roads in Tenakee. Barges deliver fuel and goods six times a year. The marine facilities include a small boat harbor and ferry terminal. Snyder's Mercantile owns a fuel dock. There is a 3-mile-long main street. Local transportation is primarily by bicycle or ATV.

*** (The following information was obtained from the State of Alaska, Community & Economic Development website, http://www.dced.state.ak.us/dca/commdb/CF_BLOCK.cfm)

CANARY & ASSOCIATES, INC.
COMMENT ADDENDUM

File No. 14-12-001
Case No.

Borrower Gordon Chew

Property Address Lots 8 & 9, Block 7 & Tidelands

City Tenakee Springs County Sitka Recorders Office State AK Zip Code

Lender/Client Department of Public Safety Address PO Box 24, Tenakee Springs, AK 99841

SITE/ZONING

The subject site is a conforming interior & corner waterfront and tideland lots with a good ocean view. The site is two adjoining waterfront lots and a tideland lot located on the ocean side of the property, all sites are typical for the area in size and shape. Access to the site is via the main road Tenakee Avenue. The site is located in town next to the Tenakee Springs Fire Station. The beach is rocky (small rocks) with the site sloping gradually downhill from the roadway. While there is no zoning and the site could be used either residentially or commercially for the purposes of this appraisal, a residential value was applied within this report.

The site is located on the waterfront. Most of the lot is within the FEMA flood plain tidal area the buildable site would have to be built up on pilings as is typical in the area. This appraisal assumes that there are no adverse easement and/or encroachments that would negatively affect the marketability of the lot. Public electricity is available to the site, water is provided by an on-site well, the sewer is typically a tidal drain.

ADVERSE ENVIRONMENTAL CONDITIONS PRESENT

The appraiser's routine inspection of and inquires about the subject property did not develop any information that indicated any apparent significant hazardous substances or detrimental environmental conditions which would negatively affect the property value. The appraiser is not an expert in the identification of hazardous substances or detrimental environmental conditions. The value estimated in this report is based on the assumption that the property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions.

OVERVIEW

Adjustments in the Sales Comparison Grid are, whenever possible, to be market derived and not necessarily reflecting an actual cost to equate the properties. This market however is very small with very few transactions, and the properties that do sell are most often extremely diverse in both physical attributes and in motivation of buyer and seller. Therefore market derived adjustments are very difficult to extract from the data. The appraiser has elected to make adjustments for only those differences that are substantial.

ADJUSTMENTS

TIME ADJUSTMENTS: No adjustment for time was made in this report for the older sales used as the market has been mostly stable over the past few years.

LOCATION: Adjustments for location were made based upon recent vacant land sales and extracted improved property sales in which the building value was extracted to obtain an improved site value. An adjustment was made for properties that had sold within the core central business district as compared to sales outside of the central business district. All comparables were adjusted to the subject.

SITE/VIEW: View adjustments were made at \$10,000 per increase/decrease as compared to the Subject property.

SITE/AREA: Residential lots typically do not sell on a dollar per square foot basis or on a per acre value, but rather on a site basis. Adjustments were made for extra privacy and/or extra site utility as compared to the Subject. Adjustments were made at \$5,000 per adjustment.

BEACH: The Subject's beach is a gradual sloping small rocky beach. Comparable 3 was an upland lot and adjusted under location above.

TIDELANDS: Adjustments for tidelands (ATS-Alaska Tideland Survey) was made at \$2.75/SF.

OTHER: Existing wells on the property were adjusted at \$10,000. Public Electricity and access to the harbor were adjusted at \$5,000 each. Comparable 1's sale included an older boat house and dock and was adjusted \$60,000. Comparable 3 had an older house on the property and was adjusted \$70,000.

CANARY & ASSOCIATES, INC.
COMMENT ADDENDUM

File No. 14-12-001
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Lender/Client Department of Public Safety Address PO Box 24, Tenakee Springs, AK 99841

RECONCILIATION

The sales used are the most recent and comparable available and result in the fewest overall adjustments. The indicated value by the three appraisal approaches to value are:

- 1) Cost Approach = Not Applicable
- 2) Sales Comparison Approach = \$265,000
- 3) Income Approach = Not Applicable

- The cost approach involves replacement cost or actual cost of construction for the area and then depreciated. Information for the cost of construction was obtained through the Marshall & Swift "Residential Estimator" computer program, local contractors' current cost of construction and market cost information adjusted to recent sales. The cost approach is not applicable for this assignment.

- The sales comparison approach considered 4 closed sales to determine the market value for the subject. The comparables used indicated a range of value from \$248,000 to \$265,000. From the sales used in the analysis all comparables were considered due to the lack of sales similar to the Subject.

- The income approach was considered but lack of vacant land rental data was not located for the income approach and vacant land within the area is normally purchased for shelter and not for investment purposes.

In conclusion: The analysis above has considered all effects on market, including the three approaches to value with the most weighting applied to the sales comparison approach as it best reflects the sales activity within the area that can be compared to the subject property.

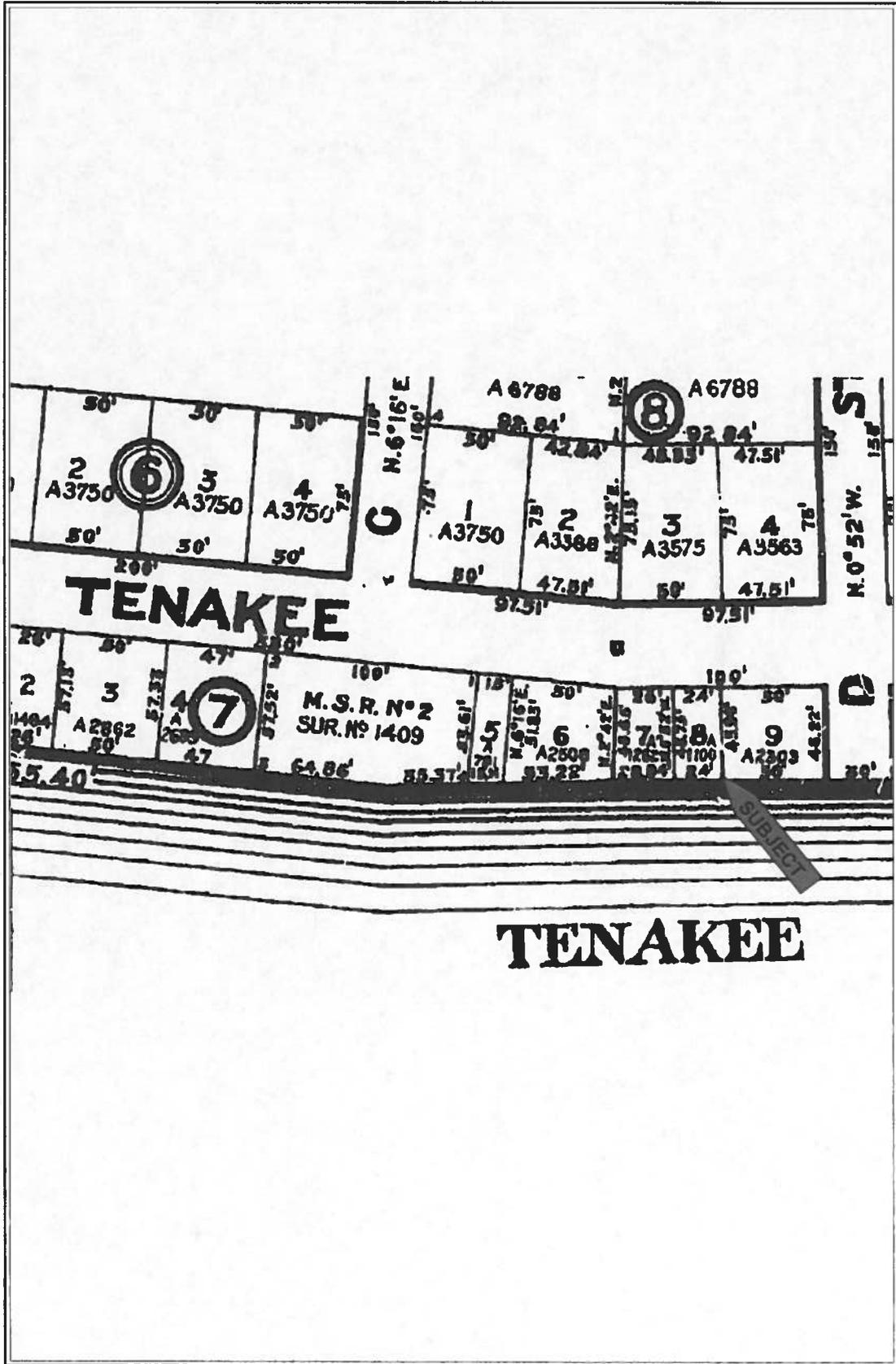
It is my opinion that the AS-IS value for Lots 8 & 9, Block 7, USS 1418 & Tidelands Lot 3, Plat: 2009-3, Tenakee Springs, Alaska, 99841 as of March 8, 2012 assuming reasonable marketing time to be:

\$265,000
TWO HUNDRED SIXTY FIVE THOUSAND DOLLARS

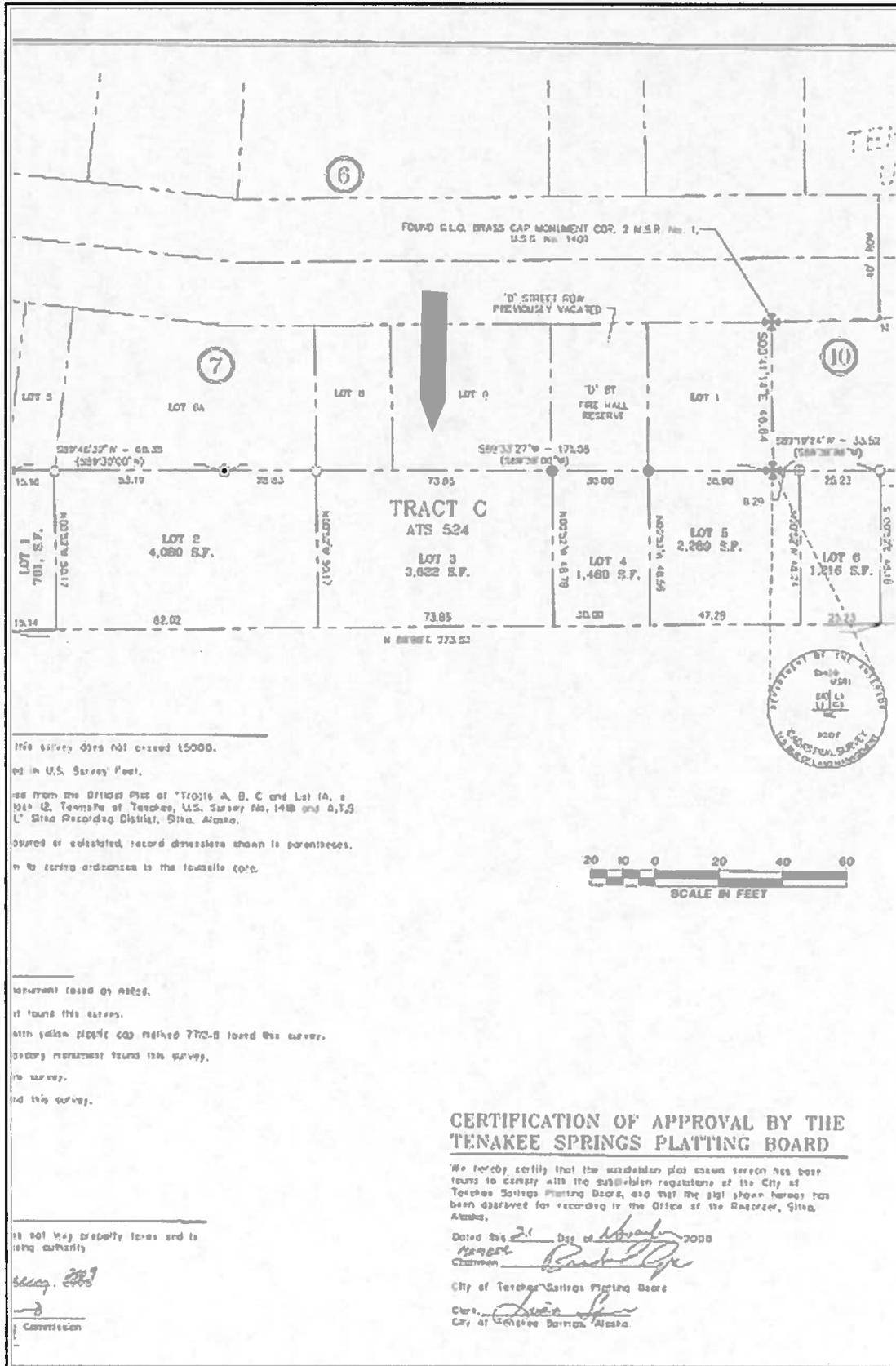
CANARY & ASSOCIATES, INC.
PLAT MAP

File No. 14-12-001
Case No.

Borrower	Gordon Chew						
Property Address	Lots 8 & 9, Block 7 & Tidlands						
City	Tenakee Springs	County	Sitka Recorders Office	State	AK	Zip Code	99841
Lender/Clien	Department of Public Safety		Address				PO Box 24, Tenakee Springs, AK 99841



Borrower Gordon Chew
 Property Address Lots 8 & 9, Block 7 & Tideland
 City Tenakee Springs County Sitka Recorder's Office State AK Zip Code
 Lender/Client Department of Public Safety Address PO Box 24, Tenakee Springs, AK 99841



This survey does not exceed 15000.
 and in U.S. Survey Feet.
 was from the Official Plat of "Tracts A, B, C and Lot 1A, a
 1942-43, Tenakee of Tenakee, U.S. Survey No. 148 and A.T.S.
 (" Site Recording District, Sitka, Alaska.
 Surveyed or calculated, record distances shown in parentheses,
 in to survey distances to the townsite core.

Department found on 08/26,
 it found this survey.
 with yellow plastic cap marked 772-B found this survey.
 survey monument found this survey.
 no survey.
 and this survey.

to not buy property taxes and to
 being authority

 Commission

**CERTIFICATION OF APPROVAL BY THE
 TENAKEE SPRINGS PLATTING BOARD**

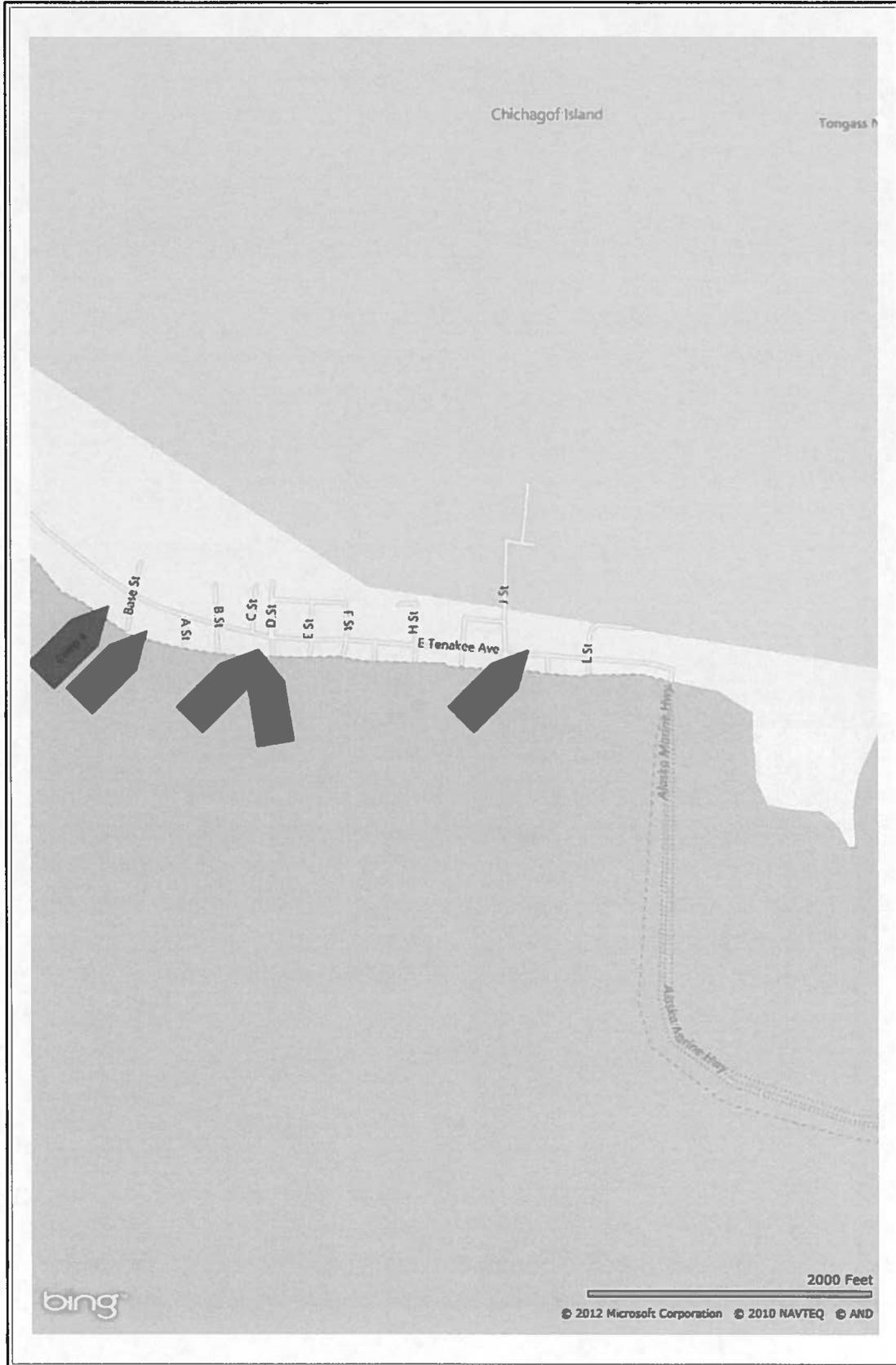
We hereby certify that the subdivision plat shown herein has been
 found to comply with the subdivision regulations of the City of
 Tenakee Springs Platting Board, and that the plat shown herein has
 been approved for recording in the Office of the Recorder, Sitka,
 Alaska.

Dated this 21st Day of August 2008
 Chairman _____
 City of Tenakee Springs Platting Board
 Clerk _____
 City of Tenakee Springs, Alaska

CANARY & ASSOCIATES, INC.
LOCATION MAP ADDENDUM

File No. 14-12-001
Case No.

Borrower	Gordon Chew				
Property Address	Lots 8 & 9, Block 7 & Tidelands				
City	Tenakee Springs	County	Sitka Recorders Office	State	AK
Lender/Client	Department of Public Safety	Address	PO Box 24, Tenakee Springs, AK 99841		



CANARY & ASSOCIATES, INC.
SUBJECT PHOTO ADDENDUM

File No. 14-12-001
Case No.

Borrower	Gordon Chew					
Property Address	Lots 8 & 9, Block 7 & Tidelands					
City	Tenakee Springs	County	Sitka	Recorders Office	State	AK
Lender/Client	Department of Public Safety		Address	PO Box 24, Tenakee Springs, AK 99841		



**FRONT OF
SUBJECT PROPERTY**
Lots 8 & 9, Block 7 & Tidelands
Tenakee Springs, AK



**REAR OF
SUBJECT PROPERTY**



STREET SCENE

This appraisal report is subject to the scope of work, intended use, intended user, definition of market value, statement of assumptions and limiting conditions, and certifications. The appraiser may expand the scope of work to include any additional research or analysis necessary based on the complexity of this appraisal assignment.

SCOPE OF WORK: The scope of work for this appraisal is defined by the complexity of this appraisal assignment and the reporting requirements of this appraisal, including the following definition of market value, statement of assumptions and limiting conditions, and certifications. The appraiser must, at a minimum: (1) perform a complete visual inspection of the subject property, (2) inspect the neighborhood, (3) inspect each of the comparable sales from at least the street, (4) research, verify, and analyze data from reliable public and/or private sources, and (5) report his or her analysis, opinions, and conclusions in this appraisal report.

INTENDED USE: The intended use of this appraisal report is for the lender/client to evaluate the property that is the subject of this appraisal for a mortgage finance transaction.

INTENDED USER: The intended user of this appraisal report is the lender/client.

DEFINITION OF MARKET VALUE: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions* granted by anyone associated with the sale.

*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS: The appraiser's certification in this report is subject to the following assumptions and limiting conditions:

1. The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it, except for information that he or she became aware of during the research involved in performing this appraisal. The appraiser assumes that the title is good and marketable and will not render any opinions about the title.
2. The appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in this appraisal report whether any portion of the subject site is located in an identified Special Flood Hazard Area. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
3. The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand, or as otherwise required by law.
4. The appraiser has noted in this appraisal report any adverse conditions (such as the presence of hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property or that he or she became aware of during the research involved in performing this appraisal. Unless otherwise stated in this appraisal report, the appraiser has no knowledge of any hidden or unapparent deficiencies or adverse conditions of the property (such as, but not limited to, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) that would make the property less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, this appraisal report must not be considered as an environmental assessment of the property.
5. If the appraiser has based his or her appraisal report and valuation conclusion for an appraisal subject to certain conditions, it is assumed that the conditions will be met in a satisfactory manner.

APPRAISER'S CERTIFICATION: The Appraiser certifies and agrees that:

1. I have, at a minimum, developed and reported this appraisal in accordance with the scope of work requirements stated in this appraisal report.
2. I performed a complete visual inspection of the subject property. I reported the site characteristics in factual, specific terms.
3. I performed this appraisal in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.
4. I developed my opinion of the market value of the real property that is the subject of this report based on the sales comparison approach to value. I have adequate comparable market data to develop a reliable sales comparison approach for this appraisal assignment.
5. I researched, verified, analyzed, and reported on any current agreement for sale for the subject property, any offering for sale of the subject property in the twelve months prior to the effective date of this appraisal, and the prior sales of the subject property for a minimum of three years prior to the effective date of this appraisal, unless otherwise indicated in this report.
6. I researched, verified, analyzed, and reported on the prior sales of the comparable sales for a minimum of one year prior to the date of sale of the comparable sale, unless otherwise indicated in this report.
7. I selected and used comparable sales that are locationally, physically, and functionally the most similar to the subject property.
8. I have reported adjustments to the comparable sales that reflect the market's reaction to the differences between the subject property and the comparable sales.
9. I verified, from a disinterested source, all information in this report that was provided by parties who have a financial interest in the sale or financing of the subject property.
10. I have knowledge and experience in appraising this type of property in this market area.
11. I am aware of, and have access to, the necessary and appropriate public and private data sources, such as multiple listing services, tax assessment records, public land records and other such data sources for the area in which the property is located.
12. I obtained the information, estimates, and opinions furnished by other parties and expressed in this appraisal report from reliable sources that I believe to be true and correct.
13. I have taken into consideration the factors that have an impact on value with respect to the subject neighborhood, subject property, and the proximity of the subject property to adverse influences in the development of my opinion of market value. I have noted in this appraisal report any adverse conditions (such as, but not limited to, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) observed during the inspection of the subject property or that I became aware of during the research involved in performing this appraisal. I have considered these adverse conditions in my analysis of the property value, and have reported on the effect of the conditions on the value and marketability of the subject property.
14. I have not knowingly withheld any significant information from this appraisal report and, to the best of my knowledge, all statements and information in this appraisal report are true and correct.
15. I stated in this appraisal report my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the assumptions and limiting conditions in this appraisal report.
16. I have no present or prospective interest in the property that is the subject of this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or opinion of market value in this appraisal report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.
17. My employment and/or compensation for performing this appraisal or any future or anticipated appraisals was not conditioned on any agreement or understanding, written or otherwise, that I would report (or present analysis supporting) a predetermined specific value, a predetermined minimum value, a range or direction in value, a value that favors the cause of any party, or the attainment of a specific result or occurrence of a specific subsequent event (such as approval of a pending mortgage loan application).
18. I personally prepared all conclusions and opinions about the real estate that were set forth in this appraisal report. If I relied on significant real property appraisal assistance from any individual or individuals in the performance of this appraisal or the preparation of this appraisal report, I have named such individual(s) and disclosed the specific tasks performed in this appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in this appraisal report; therefore, any change made to this appraisal is unauthorized and I will take no responsibility for it.
19. I identified the lender/client in this appraisal report who is the individual, organization, or agent for the organization that ordered and will receive this appraisal report.
20. The lender/client may disclose or distribute this appraisal report to: the borrower; another lender at the request of the borrower; the mortgagee or its successors and assigns; mortgage insurers; government sponsored enterprises; other secondary market participants; data collection or reporting services; professional appraisal organizations; any department agency, or instrumentality of the United States, and any state, the District of Columbia, or other jurisdictions; without having to obtain the appraiser's or supervisory appraiser's (if applicable) consent. Such consent must be obtained before this appraisal report may be disclosed or distributed to any other party (including, but not limited to, the public through advertising, public relations, news, sales, or other media).

21. I am aware that any disclosure or distribution of this appraisal report by me or the lender/client may be subject to certain laws and regulations. Further, I am also subject to the provisions of the Uniform Standards of Professional Appraisal Practice that pertain to disclosure or distribution by me.

22. If this appraisal report was transmitted as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

SUPERVISORY APPRAISER'S CERTIFICATION: The Supervisory Appraiser certifies and agrees that:

1. I directly supervised the appraiser for this appraisal assignment, have read the appraisal report, and agree with the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.
2. I accept full responsibility for the contents of this appraisal report including, but not limited to, the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.
3. The appraiser identified in this appraisal report is either a sub-contractor or an employee of the supervisory appraiser (or the appraisal firm), is qualified to perform this appraisal, and is acceptable to perform this appraisal under the applicable state law.
4. This appraisal report complies with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.
5. If this appraisal report was transmitted as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

APPRAISER

Signature *Shawn Kantola*
 Name Shawn Kantola
 Company Name CANARY & ASSOCIATES, INC.
 Company Address P.O. Box 32361
Juneau, AK 99803
 Telephone Number 907-789-0871
 Email Address skantola@alaskaappraisal.com
 Date of Signature and Report 3/16/2012
 Effective Date of Appraisal 03/08/2012
 State Certification # 702
 or State License # _____
 or Other (describe) _____ State # _____
 State AK
 Expiration Date of Certification or License 06/30/2013

SUPERVISORY APPRAISER (ONLY IF REQUIRED)

Signature _____
 Name _____
 Company Name _____
 Company Address _____
 Telephone Number _____
 Email Address _____
 Date of Signature _____
 State Certification # _____
 or State License # _____
 State _____
 Expiration Date of Certification or License _____

ADDRESS OF PROPERTY APPRAISED

Lots 8 & 9, Block 7 & Tideland
Tenakee Springs, AK

APPRAISED VALUE OF SUBJECT PROPERTY \$ 265,000

LENDER/CLIENT

Name _____
 Company Name Department of Public Safety
 Company Address PO Box 24
Tenakee Springs, AK 99841
 Email Address _____

SUBJECT PROPERTY

- Did not inspect subject property
 Did inspect exterior of subject property from street
 Date of Inspection _____
 Did inspect interior and exterior of subject property
 Date of Inspection _____

COMPARABLE SALES

- Did not inspect exterior of comparable sales from street
 Did inspect exterior of comparable sales from street
 Date of Inspection _____